

TO THE SHAREHOLDERS:

As previously announced, as a result of negotiations between your Company, owner of 1,249,759 shares of Canadian Gridoil Limited, and Ashland Oil & Refining Company of Ashland, Kentucky, a proposal was received by the Company from Ashland and one of its Canadian subsidiaries to purchase all shares of Canadian Gridoil owned by your Company.

The directors of your Company approved the Ashland proposal and directed that the proposal be submitted with a recommendation for approval to a meeting of the shareholders of the Company which will very likely be held towards the end of December next.

On November 10th, the directors of your Company approved a request by Ashland to substitute Whitehall Canadian Oils Ltd. for Warren Bituminous Paving Company, Limited, as the subsidiary of Ashland which will acquire the shares of Canadian Gridoil owned by your Company.

Details of the proposed transaction together with notice of the shareholders' meeting will be forwarded at an early date to all shareholders.

In the meantime the following is the text of a press announcement made by your Company and Ashland of the original proposal:

FOR IMMEDIATE RELEASE

ASHLAND TO ACQUIRE CANADIAN GRIDOIL

Ashland, Ky. — Orin E. Atkins, president of Ashland Oil & Refining, today disclosed an agreement has been reached with S. C. Nickle, president and founder of Scenic Oils, Ltd. and Canadian Gridoil Ltd., in which Ashland will acquire 46.8% of the stock of Gridoil.

Last year Gridoil reported oil production of over 4,000 barrels a day, proven crude oil reserves of more than 16 million barrels, and over 12 million mcf. of natural gas. In addition, Gridoil owns approximately 3.2 net million acres of undeveloped oil and gas properties in Canada, with a substantial portion located in Alberta, where Ashland Oil has a crude oil and natural gas production office.

Mr. Atkins declared a package of cash and securities consisting of \$3 million (Canadian) and 365,000 shares of a new convertible preferred stock in an Ashland subsidiary in Canada will be submitted to the Scenic shareholders. The preferred stock will carry a \$2.00 annual dividend rate, and will be exchangeable after December 1, 1970 into one share of Ashland Oil common stock.

After ten years, subject to certain contingencies, each share of the preferred stock may, at the option of the owner, be exchanged for \$50 in cash if the owner elects not to exchange the preferred stock for Ashland common stock. The preferred shares will not be redeemable before January 1, 1975 and thereafter will be redeemable at \$50 per share plus a premium of 5% in 1975, with this premium reduced 1% each January 1 until 1979. After July 1, 1980, the preferred shares will be redeemable at \$50. All the funds will be in Canadian currency.

Upon approval by the Scenic shareholders, it is proposed to wind up the firm in its present form and distribute the preferred shares and cash received in the transaction. Scenic's interest in Panarctic Oils Ltd. and its other mineral rights and production properties would be continued in a new corporation whose shares will be distributed to the Scenic shareholders. Ashland Oil currently holds approximately 23% of the Scenic shares outstanding.

Canadian Gridoil will continue to operate under its present name. Mr. Nickle, the founder of the firm, and who will continue to have a substantial interest, will become chairman of the board. A new president and chief executive officer will be named later.

The acquisition of Gridoil follows shortly after Ashland Oil announced a similar agreement to acquire Whitehall Canadian Oils Ltd., and extends Ashlands already substantial interests in Canada. These now include extensive road building and paving operations through Warren Bituminous Paving Co. Ltd. and Columbia Bitulithic Co. Ltd.; the manufacture and sale of motor oil through Valvoline Oil Co. of Canada Ltd.; chemicals and petrochemicals through ADM Chemicals; crude oil, mineral and natural gas exploration activities headquartered in Calgary.

Last year Ashland's Canadian crude oil production was reported to be at the rate of 2,900 barrels of crude oil daily, and the firm reported its holdings as 1.2 million gross acres and 550,000 net acres of leases and reservations. The acquisitions of Whitehall and Gridoil would increase Ashland's Canadian production to 13,600 barrels daily, and its proven and probable reserves to approximately 100 million barrels.

Worldwide, Ashland crude oil production is now 18,250 barrels per day and would reach 28,950 with the acquisitions of Whitehall and Canadian Gridoil. It has recently extended its exploration and development program by obtaining an interest in five leases in the recent Alaskan sale and by participation with the Libyan General Petroleum Corporation in the development of 1.8 million acres in that country, in addition to its activities on a 3 million acre concession granted to Circle Oil Co., in which Ashland holds a not less than 75% interest. These activities, when added to Ashland's one-third interest in a large concession in Indonesia and a concession it holds in Brunei, constitute a global search for crude.

In overall operations, Ashland operates five U.S. refineries and is ranked an important marketer in the American eastern region; reported sales last year of more than \$1 billion.

In conclusion, we are enclosing for your information the Interim Report of Canadian Gridoil for the nine months ended September 30th, 1969.

Calgary, Alberta
November 10th, 1969.

S. C. NICKLE, Sr.
President.

